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Business and commercial Aviation

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TREASURY AGREES TO ADOPT MODIFIED AIRCRAFT TAX REGULATIONS

Treasury Department agreed last week to modify the current regulations regarding the personal use of business aircraft, apparently ending the first round of a controversy that erupted when temporary Internal Revenue Service regulations were issued in January *(BA, Jan. 7/1)*. Ronald Pearlman, assistant secretary for tax policy at Treasury, agreed to issue new regulations for aircraft use along the lines of proposals supported by Senate Majority Leader Robert Dole (R-Kan.), Rep. Dan Glickman (D-Kan.) and most general aviation groups *(BA, April 8/105)*. While Pearlman's proposal is somewhat more restrictive than the original Glickman-Dole proposal, general aviation interests said it is far superior to the existing regulations, which they termed punitive.

Agreement on the new regulations was reached during a markup session of a House-Senate conference committee considering changes to the Tax Reform Act of 1984, the legislation that resulted in issuance of the aircraft rules this January. In a letter to Dole *(which is reprinted on the back of Pages 138-139)*, Pearlman agreed to use a sliding scale based on aircraft weight to determine the taxable value of personal trips on corporate aircraft.

Travel On Large Aircraft Valued At 200% Of First Class

Top officials or "control employes" of firms using such aircraft on non-business trips will have their gross incomes increased for tax purposes. Those gross income adjustments will range from 50 percent of the equivalent airline coach fare for travel on aircraft of up to 6,000 pounds gross weight to 200 percent of the first class airline fare for aircraft weighing 25,000 pounds or more. "Non-control employes" making personal trips on company aircraft will have their gross incomes adjusted as follows: from 50 percent of the safe harbor value of tickets issued to the parents of airline employes for flights on aircraft of up to 6,000 pounds to 100 percent of the safe harbor value of tickets issued to parents of airline employes for personal flights on aircraft weighing over 10,000 pounds gross weight.

The Pearlman letter also addresses the question of "empty seat" transportation in company-owned aircraft. Initial IRS rules would have placed a value on incidental personal travel on a business aircraft even if the primary purpose of the flight was business related. In the letter to Dole, Pearlman said IRS will "create a special rule which applies where 50 percent or more of the regular passenger seating capacity of that plane as used by the company is occupied by individuals whose flights are primarily for the employer's business and whose flights are thus excludable from income. In such circumstances, a personal flight by an employe, his spouse or dependent children . . . in any of the remaining seats is deemed to have no value."

Many Questions Remain Unanswered

General aviation interests expressed general satisfaction with the agreement, which removes the issue from the legislative arena in Congress and resolves many of the most serious questions regarding valuation of personal travel on company aircraft. Numerous other questions remain unanswered, however, among them: when will IRS get around to issuing new regulations?; will the public be permitted to submit com-

(Continued on the following page)

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AIRPORT AND AIRWAY TRUST FUND
Status As Of Feb. 28, 1985

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	6,971,921,311.04	6,440,835,770.41
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund) :		
Any liquid fuel except gas	7,359,000.00	30,810,299.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	240,000.00	1,146,000.00
2. Non-commercial 9 cents tax	1,862,000.00	10,537,384.00
3. Non-commercial 3 cents tax	620,000.00	3,059,128.00
4. Transp by air,seats,berths,etc.	194,149,000.00	1,030,175,730.00
Use of international trav fac	6,735,000.00	35,495,424.00
Transp of property and cargo	14,977,000.00	68,328,089.00
Total Tax Receipts	225,942,000.00	1,179,552,054.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	0.00	333.00
2. Any liquid fuel except gas	0.00	2,346,988.00
3. Gasoline -Retailer's tax	0.00	537.00
Total Reimburse for Tax Refunds	0.00	2,347,858.00
Net Tax Receipts	225,942,000.00	1,177,204,195.00
C. Interest on Investments	1,197,974.32	354,839,537.12
Net Receipts	227,139,974.32	1,532,043,733.12
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	122,153,990.00	398,184,631.72
2. Grants-in-aid for airports	68,010,699.35	361,724,007.72
3. Facilities & equipment	32,805,826.36	156,886,445.50
4. Research engineering & development	17,973,345.49	91,216,946.43
B. NOAA weather services	0.00	6,750,000.00
C. Interest on Refund of Taxes	0.00	47.00
Total Expenditures	240,943,860.20	1,014,762,078.37
IV. BALANCE - END OF PERIOD	6,958,117,425.16	6,958,117,425.16

ASSETS :		
Undisbursed Balances:		
Airport & Airway Trust Fund	70.00	
Operations	368.28	
Grants-in-aid for Airports	4,902,915.49	
Facilities & Equipment	37,012,064.20	
Research Engineering & Development	23,455,007.19	
NOAA weather services	0.00	
		65,370,425.16
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS		
11 % maturing June 30, 1985	72,272,000.00	
11-1/4% maturing June 30, 1985	800,875,000.00	
11-1/8% maturing June 30, 1985	5,545,387,000.00	
11-3/8% maturing June 30, 1985	474,213,000.00	6,892,747,000.00
Total Assets		6,958,117,425.16
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		6,958,117,425.16
Total Liabilities and Equity		6,958,117,425.16

Treasury Department Chart